



GA SEGONYANA LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No. 117 of 1998)

Nature of business and principal activities Providing services to the community of Ga Segonyana

Mayoral committee

Mayor T.G. Anthony 1 July 2016 to 22 August 2017
N.G Masegela Appointed 23 August 2016

Councillors	Name	Councillor - 1 July 2016 to 22 August 2016	Name	Appointed at 23 August 2016
	T.E. Meyers (Speaker)	✓	T.E. Meyers (Speaker)	✓
	E.B. Modise	✓	G.C. Assegaa	✓
	K.A. Keikabile	✓	L.C. Moseki	✓
	F.P. Byleveld	✓	E.B. Modise	✓
	K.R. Makwati	✓	L. Moagi	✓
	N.G. Disipi	✓	G.N. Mntuyedwa	✓
	K.B. Madikiza	✓	N.G Dispi	✓
	B.A. Motlatsi	✓	D.T. Mpata	✓
	N.G. Morogong	✓	K.R. Makwati	✓
	L.C. Rapelang	✓	K.B. Madikiza Selepe	✓
	N.S. Bloem	✓	E.B. Leserwa	✓
	P.Q. Mogatle	✓	I. Tshetshemeserogwe	✓
	N.G. Thupaemang	✓	K.F. Kanjeruba	✓
	L.S. Motingwe	✓	N.G. Ngesi	✓
	S.M. Ryan	✓	B.A. Eiman	✓
	M.J. Polelo	✓	L.N. Makoke	✓
	T.H. Lekgetho	✓	N.G. Thuaemang	✓
	M. Leberegame	✓	O.D. Mathibe	✓
	R.R. Molelekwa	✓	L.R. Nelson	✓
	M.A.P. Brink	✓	W.A.S. Aucamp	✓
	M.J. Dichabe	✓	O.A. Leserwane	✓
	G.C Assegaa	✓	M.F. Disang	✓
			M.G. Reetsang	✓
			M.P. Galeboe	✓
			K.H. Chweu	✓
			S.N. Bloem	✓

Accounting Officer E. Ntefang

Chief Finance Officer (CFO) K. Khoabane (1 June 2014 to 31 January 2016 - Resigned)
T Jarvis (Acting from 1 February 2016 to 31 July 2016)
D. Sehloho (Acting from 01 August 2016 to 31 January 2017)
T. Jarvis (Acting from 01 February 2017 to 31 May 2017)
K. Noke from (01 June 2017 to current)

Registered office Corner Voortrekker and School Street
Kuruman

Business address Corner Voortrekker and School Street
Kuruman

Postal address Private Bag X1522
Kuruman
8460

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Bankers	ABSA FNB
Auditors	Auditor General (South Africa)
Jurisdiction	The Ga-Segonyana Local Municipality includes the following areas: Kuruman, Bankhara, Mothibistad, Magojaneng, Obama Hill, Ditshoswaneng, Mapoteng, Seoding, Mokalamosesane, Gamopedi, Ncweng, Galotolo, Pietbos, Sloja, Lokaleng, Geelboom, Sedibeng, Batlharos, Gasehubane, Garuele, Gasebolao, Maruping, Vergenoeg, Kagung, Lohatlha, Seven Miles, Mokalamosesane, Thamoyanche, Wrenchville, Promise Land and Thuli Madonsela
Relevant Legislation	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No. 108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations

Ga Segonyana Local Municipality

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Abbreviations

ACIP	Accelerated Community Infrastructure Program
ASB	Accounting Standards Board
DBSA	Development Bank of South Africa
DME	Department of Minerals and Energy Grant
DWAF	Department of Water Affairs
EPWP	Expanded Public Works
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
MWIG	Municipal Water Infrastructure Grant
WSIG	Water Services Infrastructure Grant
PAYE	Pay As You Earn
RHIG	Rural Housing Infrastructure Grant
SARS	South African Revenue Services
SDL	Skills Development Levies
UIF	Unemployment Insurance Fund

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, the annual financial statements are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's Annual Financial Statements. The Annual Financial Statements have been examined by the municipality's external auditors and their report is separately presented.

The Annual Financial Statements set out on pages 7 to 69, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2017.

There has been a change in leadership of the municipality during the financial year and subsequent to year end. There are new councillors that were appointed following the local government elections that were held in August 2016.



Edward Ntefang
Municipal Manager

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 8 meetings were held.

Name of member	Number of meetings attended	Notes
Ms L. Dhlamini (Chairperson)	8 of 8	3 year term appointed as Chairperson
Mr S. Simelane	2 of 8	3 year term appointed as member
Mr A. Ngobeni	4 of 8	3 year term appointed as member
Mr F. Buys (Appointed November 2016)	2 of 8	3 year term appointed as member
Mr R. Tshimomola (Appointed November 2016)	4 of 8	3 year term appointed as member

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The committee has performed the following key responsibilities:

- Adopted the audit and risk management charter and proposed approved to council;
- Reconfirm the appropriateness of the internal audit charter and methodology;
- Recommended the risk management strategy and policy to council, due to the slow implementation thereof alternative mechanisms were followed by the internal audit manager and a risk register was considered and recommended for approval to council;
- Approved the internal audit plan for the financial year and monitored to the implementation of the plan;
- Evaluated the findings raised by internal and external audit and made recommendations on addressing those matters;
- Performed a review of financial information submitted to the committee and commented specifically on concerns raised based on year-to-date information and accuracy of projections;
- Requested management to reporting on pending litigation, possible contingent liabilities and significant risks;
- Requested management to address the perceived lack of discipline and called specific officials to account for the progress on the audit action plan;
- Liaised with the Auditor-General on matters relating to communication with those charged with governance.

The effectiveness of internal control

The system of controls should be designed to provide cost-effective assurance that assets are safeguarded, liabilities and working capital are efficiently managed and compliance with appropriate laws and regulations achieved.

The following issues are highlighted by the Audit and Performance Committee as points of concern:

- Insufficient preventative control measures and ineffective monitoring of controls.
- Non adherence to policies and procedures.
- Repeat internal audit findings (performance management and MFMA Compliance audit.
- Repeat external audit findings
- No consequence management and ineffective oversight structures

Evaluation of annual financial statements

The audit committee has:

- Reviewed and discussed the audited annual financial statements to be included in the Annual Report, with the Auditor-General and the Accounting Officer;
- Reviewed the Auditor-General of South Africa's management report and management's response thereto;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General of South Africa.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Audit Committee Report

Internal audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	2017	2016 Restated*
Assets		
Current Assets		
Inventories	47 984 613	41 166 184
Receivables from non-exchange transactions	23 609 848	12 463 893
VAT receivable	21 992 469	15 998 051
Receivables from exchange transactions	17 166 497	19 163 300
Cash and cash equivalents	990 123	532 367
	111 743 550	89 323 795
Non-Current Assets		
Investment property	6 961 100	6 961 100
Property, plant and equipment	1 193 650 654	1 156 526 130
Intangible assets	570 569	535 343
Heritage assets	1 655 642	1 655 642
	1 202 837 965	1 165 678 215
Total Assets	1 314 581 515	1 255 002 010
Liabilities		
Current Liabilities		
Other financial liabilities	-	4 669 354
Finance lease obligation	1 597 114	1 278 177
Payables from exchange transactions	124 469 335	107 045 686
Consumer deposits	4 131 191	3 781 051
Employee benefit obligations	1 399 725	1 155 225
Unspent conditional grants and receipts	18 492 566	8 911 218
	150 089 931	126 840 711
Non-Current Liabilities		
Other financial liabilities	21 334 249	19 192 514
Finance lease obligation	2 819 011	1 921 988
Employee benefit obligations	23 424 176	22 977 727
Provisions	8 752 162	9 860 959
	56 329 598	53 953 188
Total Liabilities	206 419 529	180 793 899
Net Assets	1 108 161 986	1 074 208 111
Reserves		
Revaluation reserve	20 837 415	21 187 299
Accumulated surplus	1 087 324 571	1 053 020 812
TOTAL NET ASSETS	1 108 161 986	1 074 208 111

* See Note

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand		2017	2016 Restated*
REVENUE			
Revenue from exchange transactions			
Sale of stands		5 618 635	8 244 507
Service charges	21	122 045 386	98 739 761
Rental of facilities	22	733 942	733 973
Interest on outstanding receivables		5 901 682	5 016 214
Licences and permits		5 050 505	4 510 550
Other revenue	23	14 962 597	6 760 092
Interest on investments		176 099	1 033 338
Total revenue from exchange transactions		154 488 846	125 038 435
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	36 250 313	31 171 638
Transfer revenue			
Government grants and subsidies realised	25	226 228 557	220 463 419
Public contributions and donations	26	699 022	8 217 639
Fines, penalties and forfeits		8 417 303	2 168 435
Total revenue from non-exchange transactions		271 595 195	262 021 131
Total revenue	20	426 084 041	387 059 566
EXPENDITURE			
Employee related costs	27	(103 870 213)	(98 141 521)
Remuneration of councillors	28	(7 815 297)	(7 637 627)
Depreciation and amortisation	29	(55 077 843)	(48 760 891)
Impairment loss	30	(5 999 684)	(1 429 049)
Finance costs	31	(6 158 373)	(5 300 652)
Provisions	32	(18 040 954)	(12 682 097)
Repairs and maintenance		(19 116 285)	(30 610 250)
Bulk purchases	33	(96 152 230)	(88 617 322)
Contracted services	34	(8 421 950)	(8 897 819)
General expenses	35	(71 667 647)	(63 274 604)
Total expenditure		(392 320 476)	(365 351 832)
Operating surplus		33 763 565	21 707 734
Profit/loss on disposal of assets		(294 803)	(16 451)
Actuarial gains	16	2 077 751	1 908 344
		1 782 948	1 891 893
SURPLUS FOR THE YEAR		35 546 513	23 599 627

* See Note

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	20 837 415	934 648 935	955 486 350
Adjustments			
Prior year adjustments	-	94 772 250	94 772 250
Balance at 01 July 2015 as restated*	20 837 415	1 029 421 185	1 050 258 600
Changes in net assets			
Surplus for 12 months ended 30 June	-	23 599 627	23 599 627
Other changes	349 884	-	349 884
Total changes	349 884	23 599 627	23 949 511
Opening balance as previously reported	21 187 299	940 558 783	961 746 082
Adjustments			
Prior year adjustments	-	111 219 275	111 219 275
Restated* Balance at 01 July 2016 as restated*	21 187 299	1 051 778 058	1 072 965 357
Changes in net assets			
Other changes	(349 884)	-	(349 884)
Net income (losses) recognised directly in net assets	(349 884)	-	(349 884)
Surplus for the year ended 30 June	-	35 546 513	35 546 513
Total recognised income and expenses for the year	(349 884)	35 546 513	35 196 629
Total changes	(349 884)	35 546 513	35 196 629
Balance at 30 June 2017	20 837 415	1 087 324 571	1 108 161 986
Note(s)	19		

* See Note

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	2017	2016 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Sale of goods and services	157 713 422	119 773 957
Grants	237 556 795	232 142 407
Interest on investments	176 099	1 033 338
Other receipts	5 851 622	-
	<u>401 297 938</u>	<u>352 949 702</u>
Payments		
Employee costs	(111 688 474)	(105 110 774)
Other payments	(179 526 389)	(127 041 780)
Finance costs	(6 158 373)	(5 300 652)
	<u>(297 373 236)</u>	<u>(237 453 206)</u>
Net cash flows from operating activities	<u>103 924 702</u>	<u>115 496 496</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(102 528 180)	(118 926 223)
Proceeds from sale of property, plant and equipment	643 772	1 388 130
Purchase of intangible assets	(400 000)	(131 102)
Proceeds from sale of intangible assets	129 121	-
Proceeds from sale of loan receivables	-	389 569
Net cash flows from investing activities	<u>(102 155 287)</u>	<u>(117 279 626)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Movement in other financial liabilities	(2 527 619)	(153 576)
Finance lease payments	1 215 960	1 838 122
Net cash flows from financing activities	<u>(1 311 659)</u>	<u>1 684 546</u>
Net increase/(decrease) in cash and cash equivalents	<u>457 756</u>	<u>(98 584)</u>
Cash and cash equivalents at the beginning of the year	532 367	630 951
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>990 123</u>	<u>532 367</u>

* See Note

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Actual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Revenue from exchange transactions					
Sale of stands	16 000 000	(1 000 000)	15 000 000	5 618 635	(9 381 365)
Service charges	122 919 388	3 413 600	126 332 988	122 045 386	(4 287 602)
Rental of facilities	1 238 524	278 000	1 516 524	733 942	(782 582)
Interest on outstanding receivables	5 268 000	500 000	5 768 000	5 901 682	133 682
Licences and permits	5 040 399	153 500	5 193 899	5 050 505	(143 394)
Other revenue	6 747 371	(3 470 499)	3 276 872	14 962 597	11 685 725
Interest on investments	1 590 000	(500 000)	1 090 000	176 099	(913 901)
Total revenue from exchange transactions	158 803 682	(625 399)	158 178 283	154 488 846	(3 689 437)
Revenue from non-exchange transactions					
Property rates	36 979 908	(100 000)	36 879 908	36 250 313	(629 595)
Government grants and subsidies realised	229 522 000	14 397 149	243 919 149	226 228 557	(17 690 592)
Public contributions and donations	-	-	-	699 022	699 022
Fines, Penalties and Forfeits	1 303 500	-	1 303 500	8 417 303	7 113 803
Total revenue from non-exchange transactions	267 805 408	14 297 149	282 102 557	271 595 195	(10 507 362)
Total revenue	426 609 090	13 671 750	440 280 840	426 084 041	(14 196 799)
EXPENDITURE					
Employee related costs	(110 536 217)	6 802 772	(103 733 445)	(103 870 213)	(136 768)
Remuneration of councillors	(7 470 831)	(345 000)	(7 815 831)	(7 815 297)	534
Depreciation and amortisation	(19 846 219)	-	(19 846 219)	(55 077 843)	(35 231 624)
Impairment loss	-	-	-	(5 999 684)	(5 999 684)
Finance costs	(2 512 140)	-	(2 512 140)	(6 158 373)	(3 646 233)
Debt Impairment	(536 944)	-	(536 944)	(18 040 954)	(17 504 010)
Repairs and maintenance	(43 996 248)	22 203 084	(21 793 164)	(19 116 285)	2 676 879
Bulk purchases	(74 555 747)	-	(74 555 747)	(96 152 230)	(21 596 483)
Contracted services	(23 421 680)	12 834 510	(10 587 170)	(8 421 950)	2 165 220
General expenses	(31 201 650)	(39 575 300)	(70 776 950)	(71 667 647)	(890 697)
Total expenditure	(314 077 676)	1 920 066	(312 157 610)	(392 320 476)	(80 162 866)
Operating surplus	112 531 414	15 591 816	128 123 230	33 763 565	690 281 287
Gain on disposal of assets	-	355 000	355 000	(294 803)	(649 803)
Actuarial gains/losses	-	-	-	2 077 751	2 077 751
	-	355 000	355 000	1 782 948	1 427 948
SURPLUS FOR THE YEAR	112 531 414	15 946 816	128 478 230	35 546 513	(92 931 717)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Statement of Financial Position					
Assets					
Current Assets					
Inventories	19 182 484	-	19 182 484	47 984 613	28 802 129
Receivables from non-exchange transactions	11 504 390	(309 595)	11 194 795	23 609 848	12 415 053
VAT receivable	-	-	-	21 992 469	21 992 469
Receivables from exchange transactions	61 182 619	(10 000 000)	51 182 619	17 166 497	(34 016 122)
Cash and cash equivalents	621 063	(333 407)	287 656	990 123	702 467
	92 490 556	(10 643 002)	81 847 554	111 743 550	29 895 996
Non-Current Assets					
Investment property	1 705 000	5 256 100	6 961 100	6 961 100	-
Property, plant and equipment	1 182 204 303	-	1 182 204 303	1 193 650 654	11 446 351
Intangible assets	313 680	225 282	538 962	570 569	31 607
Heritage assets	1 650 000	-	1 650 000	1 655 642	5 642
Loan receivables	250 000	(200 612)	49 388	-	(49 388)
	1 186 122 983	5 280 770	1 191 403 753	1 202 837 965	11 434 212
Total Assets	1 278 613 539	(5 362 232)	1 273 251 307	1 314 581 515	41 330 208
Liabilities					
Current Liabilities					
Finance lease obligation	3 076 154	-	3 076 154	1 597 114	(1 479 040)
Payables from exchange transactions	35 674 544	-	35 674 544	124 469 332	88 794 788
Consumer deposits	3 341 248	-	3 341 248	4 131 191	789 943
Employee benefit obligations	-	-	-	1 399 725	1 399 725
Unspent conditional grants and receipts	-	-	-	18 492 566	18 492 566
Provisions	1 003 935	-	1 003 935	-	(1 003 935)
	43 095 881	-	43 095 881	150 089 928	106 994 047
Non-Current Liabilities					
Other financial liabilities	19 906 249	-	19 906 249	21 334 249	1 428 000
Finance lease obligation	-	-	-	2 819 011	2 819 011
Employee benefit obligations	-	-	-	23 424 176	23 424 176
Provisions	-	32 838 686	32 838 686	8 752 162	(24 086 524)
	19 906 249	32 838 686	52 744 935	56 329 598	3 584 663
Total Liabilities	63 002 130	32 838 686	95 840 816	206 419 526	110 578 710
Net Assets	1 215 611 409	(38 200 918)	1 177 410 491	1 108 161 989	(69 248 502)
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Revaluation reserve	-	-	-	20 837 415	20 837 415
Accumulated surplus	1 215 611 409	(38 200 918)	1 177 410 491	1 087 324 574	(90 085 917)
Total Net Assets	1 215 611 409	(38 200 918)	1 177 410 491	1 108 161 989	(69 248 502)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Sale of goods and services	174 239 160	(1 965 089)	172 274 071	156 915 499	(15 358 572)
Grants - Operating	229 522 000	14 397 149	243 919 149	237 556 795	(6 362 354)
Interest income	6 858 000	-	6 858 000	176 099	(6 858 000)
	410 619 160	12 432 060	423 051 220	394 472 294	(28 578 926)
Payments					
Employee costs	(291 182 373)	1 920 066	(289 262 307)	-	289 262 307
Finance costs	(2 512 140)	-	(2 512 140)	-	2 512 140
	(293 694 513)	1 920 066	(291 774 447)	-	291 774 447
Net cash flows from operating activities	116 924 647	14 352 126	131 276 773	394 472 294	263 195 521
Cash flows from investing activities					
Purchase of property, plant and equipment	(127 434 800)	-	(127 434 800)	-	127 434 800
Proceeds from sale of property, plant and equipment	-	355 000	355 000	-	(355 000)
Net cash flows from investing activities	(127 434 800)	355 000	(127 079 800)	-	127 079 800
Cash flows from financing activities					
Repayment of borrowings	(2 415 736)	-	(2 415 736)	-	2 415 736
Net increase/(decrease) in cash and cash equivalents	(12 925 889)	14 707 126	1 781 237	394 472 294	392 691 057
Cash and cash equivalents at the end of the year	(12 925 889)	14 707 126	1 781 237	394 472 294	392 691 057

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded off to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

1.3.1 Trade receivables and allowance for doubtful debts

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3.2 Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.4 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand and interest.

1.3.5 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the Annual Financial Statements.

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. This unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.3.6 Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. This estimate is based on public sector industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used at the end of their useful lives, and in what condition they will be at that time.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.7 Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Notes to the Annual Financial Statements.

The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.8 Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases the municipality used the prime interest rate to discount future cash flows.

1.3.9 Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired.

The impairment for trade receivables and loans receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts. Debtors are graded on the following basis:

Grade A

Trade receivables are not impaired for customers with accounts that are not in arrears.

Grade B

Customers with a payment history but with balances outstanding in excess of 90 days, the balance in excess of 90 days is impaired in full.

Grade C

Customers without payment history are considered to be delinquent and the outstanding balances are impaired in full.

Government debtors

Government debtors are not impaired as the government generally has a history of meeting its obligations.

1.4 Investment property

1.4.1 Initial Recognition

Investment property is property (land or buildings) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services, or
- administrative purposes, or
- sale in the ordinary course of operations.

Accounting Policies

1.4 Investment property (continued)

Owner-occupied property is property held for use in the production or supply of goods or services, or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

1.4.2 Subsequent Measurement

Subsequent to initial measurement investment property is measured at fair value in line with the asset management policy of the municipality on the municipal property rates Act cycle.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.4.3 Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Infinity
Furniture and fixtures	3-15 years
Infrastructure	
- Sewer pump station	15-60 years
- Solid waste disposal	3-9 years
- Electricity network	3-20 years
- LV network	10-50 years
- Distribution network	2- 30 years
- Bridges	30-80 years
- Bulk supply	50-100 years
- MV network	15-60 years
- Road structures	5-55 years
- Airport structures	20-60 years
- Collection and reticulation network	50 years
- Borehole	3-100 years
- Distribution reticulation network	5-60 years
- Storage	10-15 years
- Stormwater	10-60 years
- Road traffic management	10-40 years
- Waste water treatment	15-60 years
- Water network	20 years
- Water pipes	20 years
- Water pump	5-100 years
- Water storage	3-20 years
Community Assets	
- Buildings	100 years
Other property, plant and equipment	
- Furniture and equipment	5-10 years
- Motor vehicles	5-15 years
- Office equipment	3-10 years
- Plant equipment	4-15 years
- Office equipment	1-5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life, residual value and depreciation method of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Accounting Policies

1.5 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Reassessment of useful lives

Management reassessed useful lives of all assets as at year end and is of the opinion that the useful lives applied in the fixed asset register are fair presentation of the conditions of the assets. Useful lives of assets applied are reasonably in line with their physical conditions and expected number of years to be used.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - 2 a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - 2 an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Accounting Policies

1.7 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Item	Average useful life
Computer software	3 to 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the Annual Financial Statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

1.8.1 Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

1.8.2 Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.8.3 Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

Accounting Policies

1.8 Heritage assets (continued)

1.8.4 Impairment

The municipality assess its heritage assets at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.8.5 Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of the entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - 2 receive cash or another financial asset from another entity; or
 - 2 exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by the entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Accounting Policies

1.9 Financial instruments (continued)

1.9.1 Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Loans receivable	Financial asset measured at amortised cost
VAT receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value
Finance lease obligation	Financial liability measured at amortised cost
Employee benefit obligation	Financial asset measured at fair value

1.9.2 Initial recognition

The municipality recognises a financial asset or a financial liability in its Statement of Financial Position when the municipality becomes a party to the contractual provisions of the instrument.

1.9.3 Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value.

1.9.4 Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Accounting Policies

1.9 Financial instruments (continued)

1.9.5 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

1.9.6 Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the Municipality reclassifies the instrument from cost to fair value.

1.9.7 Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.9.8 Impairment and uncollectibility of financial assets

The Municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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Accounting Policies

1.9 Financial instruments (continued)

1.9.9 Derecognition

1.9.9.1 Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

1.9.9.2 Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

1.9.10 Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.9.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.10 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Accounting Policies

1.11 Leases (continued)

1.11.1 Finance leases - lessee

Initial recognition

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Subsequent measurement

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.12 Inventories

1.12.1 Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition

1.12.2 Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.12.3 Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.13.1 Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.13.2 Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.13.3 Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the Municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

1.13.4 Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.14 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.14.1 Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

1.14.2 Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

1.14.3 Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.14.4 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.14.5 Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.14.6 Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

Accounting Policies

1.15 Employee benefits (continued)

1.15.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

1.15.2 Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

1.16 Provisions and contingencies

1.16.1 Initial Recognition

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

1.16.2 Subsequent measurement

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Accounting Policies

1.16 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed by way of a note.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The municipality's main sources of revenue from exchange transactions income include service charges, rental of facilities, sale of stands, licences and permits and interest income.

1.17.1 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17.2 Sale of goods (stands and licences and permits)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17.3 Rendering of services

Rendering of services includes the following service charges: refuse removal, electricity, water and sewerage. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The municipality recognises prepaid electricity revenue on a prepaid basis as it is difficult for the municipality to determine the amount consumed as at year end for prepaid meters.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

1.17.4 Interest

Revenue arising from the use by others of the municipality's assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

The municipality's main source of revenue from non-exchange transactions income include property rates, government grants and subsidies, public contributions, donations, fines and penalties.

1.18.1 Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.18.2 Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.18.3 Property Rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

1.18.4 Government grants, Public contributions and donations

Transfer revenue include government grants, subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.18.5 Fines

Fines are economic benefits or service potential received or receivable by municipality, as determined by a court of other law enforcement body, as a consequence of the breach of laws or regulations. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18.6 Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.23 Irregular expenditure

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.24 Budget information

Municipality is subject to budgetary limits in the form of an approved and an adjustment budget which is given effect through council.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the approved budget.

The approved budget is prepared on an accrual basis and presented by nature linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016-07-01 to 2017-06-30.

The Annual Financial Statements and the approved budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

Comparative information is not required.

Material differences between the original budget and final budget as well as between the final budget and the actual are explained in the Annual Financial Statements. Deviations are regarded as material when they are greater than or equal to 10%. Deviations between approved budget and final budget as well as deviations between final budget and actual, are regarded as material differences.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date)
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). There were no significant post balance sheet events that affected the Annual Financial Statements as at 30 June 2017.

Accounting Policies

1.26 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- Transfers and grants which relate to expenditure pertaining to free basic services; and
- General expenses which constitute several expense items which are not individually significant.
- Employee cost - relating to cost associated with employee contracts.
- Depreciation - Cost associated with the amortisation of property, plant and equipment..

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
2. New standards and interpretations		
2.1 Standards and Interpretations early adopted		
The municipality has chosen to early adopt the following standards and interpretations:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2017	The impact of the is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact of the is not material.
2.2 Standards and interpretations issued, but not yet effective		
The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
3. Inventories		
Other inventories held for sale (land)	45 942 968	40 000 400
Consumable stores	1 992 614	1 266 074
Water	58 800	45 044
	47 994 382	41 311 518
Inventories (write-downs)	(9 769)	(145 334)
	47 984 613	41 166 184
4. Receivables from non-exchange transactions		
Fines	10 718 605	3 455 544
Motor vehicle and housing loans	88 337	165 621
Other receivables from non-exchange revenue	98 313	-
Consumer debtors - Rates	12 704 593	8 842 728
	23 609 848	12 463 893
Included in receivables from non-exchange transactions are balances owing from property rates as follows:		
Current (0 - 30 days)	8	-
31 - 60 days	512 725	455 644
61 - 90 days	417 405	348 099
91 - 120 days	343 428	279 888
121 - 365 days	1 905 104	1 360 756
> 365 days	28 660 773	22 564 528
	31 839 443	25 008 915
Less: Allowance for impairment	(19 134 850)	(16 166 187)
Net balance	12 704 593	8 842 728

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
5. VAT receivable		
VAT	21 992 469	15 998 051
6. Receivables from exchange transactions		
Gross balances		
Electricity	9 387 283	7 159 506
Water	5 824 488	4 895 085
Sewerage	15 065 430	13 140 784
Refuse	9 541 046	8 376 712
Other	26 360 983	21 987 790
	66 179 230	55 559 877
Less: Allowance for impairment	(49 012 733)	(36 396 577)
Net balance		
Electricity	9 387 283	7 159 506
Water	5 824 488	4 895 085
Sewerage	15 065 430	13 140 784
Refuse	9 541 046	8 376 712
Impairment	(49 012 733)	(36 396 577)
Other	26 360 983	21 987 790
	17 166 497	19 163 300
Electricity		
Current (0 -30 days)	3 675 180	3 273 593
31 - 60 days	2 069 033	1 008 137
61 - 90 days	500 980	437 406
91 - 120 days	409 772	223 569
121 - 365 days	1 103 968	961 298
> 365 days	1 628 350	1 255 503
	9 387 283	7 159 506
Water		
Current (0 -30 days)	1 385 091	1 147 615
31 - 60 days	753 379	634 953
61 - 90 days	453 974	455 050
91 - 120 days	243 867	305 070
121 - 365 days	1 248 444	1 080 132
> 365 days	1 739 733	1 272 265
	5 824 488	4 895 085
Sewerage		
Current (0 -30 days)	950 271	880 656
31 - 60 days	614 689	517 062
61 - 90 days	458 791	350 153
91 - 120 days	356 031	297 800
121 - 365 days	1 838 164	1 549 419
> 365 days	10 847 484	9 545 694
	15 065 430	13 140 784

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
6. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	529 317	504 201
31 - 60 days	345 265	289 758
61 - 90 days	251 244	221 593
91 - 120 days	216 999	189 309
121 - 365 days	1 126 693	1 035 421
> 365 days	7 071 528	6 136 430
	9 541 046	8 376 712
Other (specify)		
Current (0 -30 days)	1 119 091	1 631 441
31 - 60 days	923 583	701 040
61 - 90 days	649 628	2 194 367
91 - 120 days	445 704	545 332
121 - 365 days	3 174 152	2 919 359
> 365 days	20 048 825	13 996 251
	26 360 983	21 987 790
Reconciliation of allowance for impairment		
Balance at beginning of the year	(34 079 022)	(33 487 883)
Contributions to allowance	(14 933 711)	(2 908 694)
	(49 012 733)	(36 396 577)

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 050	6 050
Bank balances	984 073	336 764
Short-term deposits	-	189 553
	990 123	532 367

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
ABSA BANK - CALL ACCOUNT - 9264748829	-	189 553	-	189 553
ABSA BANK - CHEQUE ACC - 4052183325	-	280 145	-	156 644
ABSA - CHEQUE ACC - 4060204391	-	81 841	-	81 903
ABSA BANK - CHEQUE ACC - 4080444513	-	98 217	-	98 217
Petty cash float	6 050	6 050	6 050	6 050
FNB CHEQUE ACC - 62649722883	3 719 626	-	862 486	-
FNB CHEQUE ACC - 62652542632	18 080	-	50 707	-
FNB 7 DAY CALL ACC 74690806392	51 594	-	51 604	-
FNB CALL ACCOUNT	19 276	-	19 276	-
Total	3 814 626	655 806	990 123	532 367

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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8. Investment property

	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	6 961 100	6 961 100	6 961 100	6 961 100

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	6 961 100	6 961 100

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	6 961 100	6 961 100

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

Investment property is reviewed by a professional valuer once every 4 years in line with the statutory requirements of the Municipal Property Rates Act (Chapter 6 of 2004). The last external valuation was done by an independent professional valuer on 1 July 2014. The valuation which conforms to international valuation standards is arrived at by reference to market evidence of transaction prices for similar properties. Management review investment property annually to detect material changes from the last reporting date. Management assessed the value of investment property as at 30 June 2017 and believe that the reported values are a true and fair indication of investment property value as at year end.

9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	28 541 700	-	28 541 700	28 541 700	-	28 541 700
Buildings	83 220 104	(13 459 924)	69 760 180	86 428 148	(12 320 668)	74 107 480
Infrastructure	1 515 148 655	(569 636 718)	945 511 937	1 415 138 410	(514 112 299)	901 026 111
Capital Work in Progress	138 722 809	-	138 722 809	139 979 499	-	139 979 499
Other assets	30 465 469	(19 351 441)	11 114 028	32 525 580	(19 654 240)	12 871 340
Total	1 796 098 737	(602 448 083)	1 193 650 654	1 702 613 337	(546 087 207)	1 156 526 130

Ga Segonyana Local Municipality

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation on disposal	Depreciation	Impairment loss	Impairment reversal	Total
Land	28 541 700	-	-	-	-	-	-	-	-	28 541 700
Buildings	74 107 480	185 740	(811)	-	-	-	(4 532 229)	-	-	69 760 180
Infrastructure	901 026 111	-	-	-	100 010 245	-	(46 825 078)	(8 699 341)	-	945 511 937
Capital Work in Progress	139 979 499	98 753 555	-	-	(100 010 245)	-	-	-	-	138 722 809
Other assets	12 871 340	3 588 885	(972 989)	-	-	-	(4 274 599)	(98 609)	-	11 114 028
	1 156 526 130	102 528 180	(973 800)	-	-	-	(55 631 906)	(8 797 950)	-	1 193 650 654

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	26 438 700	6 002 000	-	(3 899 000)	-	-	28 541 700
Buildings	75 885 486	-	-	-	(1 778 006)	-	74 107 480
Infrastructure	900 744 168	666 580	-	44 086 622	(44 471 259)	-	901 026 111
Capital Work in Progress	77 210 064	106 856 057	-	(44 086 622)	-	-	139 979 499
Other assets	16 261 105	4 685 038	(3 095 883)	-	(4 980 608)	1 688	12 871 340
	1 096 539 523	118 209 675	(3 095 883)	(3 899 000)	(51 229 873)	1 688	1 156 526 130

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 077 534	(1 506 965)	570 569	1 599 885	(1 064 542)	535 343

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	535 343	400 000	(129 121)	(235 653)	570 569

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	571 869	131 102	-	(167 628)	535 343

11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Stamp collections, military insignia, medals, coin	5 642	-	5 642	5 642	-	5 642
The Eye	1 650 000	-	1 650 000	1 650 000	-	1 650 000
Total	1 655 642	-	1 655 642	1 655 642	-	1 655 642

Reconciliation of heritage assets 2017

	Opening balance	Total
Stamp collections, military insignia, medals, coin	5 642	5 642
The Eye	1 650 000	1 650 000
	1 655 642	1 655 642

Reconciliation of heritage assets 2016

	Opening balance	Total
Stamp collections, military insignia, medals, coin	5 642	5 642
The Eye	1 650 000	1 650 000
	1 655 642	1 655 642

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
11. Heritage assets (continued)		
Details of valuation		
Heritage assets are reviewed by a professional valuer once every 4 years in line with the statutory requirements of the Municipal Property Rates Act (Chapter 6 of 2004). The last external valuation was done by an independent professional valuer on 1 July 2014. The valuation which conforms to international valuation standards. Management review Heritage assets annually to detect material changes from the last reporting date. Management assessed the value of Heritage assets as at 30 June 2017 and believe that the reported values are a true and fair indication of Heritage assets value as at year end.		
12. Other financial liabilities		
At amortised cost		
Bank loan	21 334 249	23 861 868
Non-current liabilities		
At amortised cost	21 334 249	19 192 514
Current liabilities		
At amortised cost	-	4 669 354
13. Finance lease obligation		
Minimum lease payments due		
- within one year	2 496 537	1 741 392
- in second to fifth year inclusive	3 584 265	2 131 531
	6 080 802	3 872 923
less: future finance charges	(1 664 677)	(672 758)
Present value of minimum lease payments	4 416 125	3 200 165
Present value of minimum lease payments due		
- within one year	1 597 114	1 278 177
- in second to fifth year inclusive	2 819 011	1 921 988
	4 416 125	3 200 165
Non-current liabilities	2 819 011	1 921 988
Current liabilities	1 597 114	1 278 177
	4 416 125	3 200 165

The municipality has finance lease agreements for motor vehicles and equipment.

The average lease term was 2-5 years and the average effective borrowing rate was 26% (2017).

Interest rates are linked to prime at the contract date. All leases have fixed repayments .

Finance leases were adjusted by R17 700 in the prior year for photocopy machine not accounted for in the traffic department.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
14. Payables from exchange transactions		
Trade payables	5 062 306	5 199 861
Accruals	95 247 988	82 410 437
Retention monies	14 423 003	9 276 332
Other payables	1 930 088	2 659 582
Employee costs accrual	5 438 944	5 012 181
Insurance	2 367 006	2 487 293
	124 469 335	107 045 686

15. Consumer deposits

Service accounts	3 612 195	3 319 993
Other	518 996	461 058
	4 131 191	3 781 051

Consumer deposits represent amounts received in advance and held as surety for service accounts and other services.

16. Employee benefit obligations

Defined benefit plan

The plan is a final salary pension and post employment medical benefit plan.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(24 823 901)	(24 132 952)
Non-current liabilities	(23 424 176)	(22 977 727)
Current liabilities	(1 399 725)	(1 155 225)
	(24 823 901)	(24 132 952)

Net expense recognised in the statement of financial performance

Current service cost	1 748 584	1 554 887
Interest cost	2 175 341	2 040 072
Actuarial (gains) losses	(2 077 751)	(1 908 344)
Expected employer benefit vesting	(1 155 225)	(1 122 650)
	690 949	563 965

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.52 %	8.60 %
General salary inflation rate	6.34 %	7.25 %
Net effective discount rate	2.05 %	1.26 %

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	7 893 313	-
Municipal Systems Infrastructure Grant	-	173 815
Library Grant	948 593	541 112
Department of Water Affairs Grant	-	2 536 262
Finance Management Grant	98 000	-
EPWP Grant	116	2 685
DME Grant	818 940	-
MWIG Grant	-	3 723 961
Housing Grant	-	1 672 243
RBIG Grant	4 522 184	-
ACIP Grant	261 070	261 070
Rural Housing Infrastructure Grant	70	70
Water Services Infrastructure Grant	3 950 280	-
	18 492 566	8 911 218

18. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Change in discount factor	Total
Provision for rehabilitation of landfill sites	9 860 959	(1 108 797)	8 752 162

Reconciliation of provisions - 2016

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	10 767 922	(906 963)	9 860 959

The municipality has an obligation to rehabilitate the landfill sites of Ga Segonyana.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

19. Revaluation reserve

Opening balance	21 187 299	20 837 415
Change during the year	(349 884)	349 884
	20 837 415	21 187 299

Revaluation reserve balance is as a result of the gains in the fair value of land held by the municipality.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
20. Revenue		
Sale of stands	5 618 635	8 244 507
Service charges	122 045 386	98 739 761
Rental of facilities	733 942	733 973
Interest received on outstanding receivables	5 901 682	5 016 214
Licences and permits	5 050 505	4 510 550
Other revenue	14 962 597	6 760 092
Interest investment	176 099	1 033 338
Property rates	36 250 313	31 171 638
Government grants & subsidies	226 228 557	220 463 419
Public contributions and donations	699 022	8 217 639
Fines, penalties and forfeits	8 417 303	2 168 435
	426 084 041	387 059 566
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of stands	5 618 635	8 244 507
Service charges	122 045 386	98 739 761
Rental of facilities	733 942	733 973
Interest on outstanding receivables	5 901 682	5 016 214
Licences and permits	5 050 505	4 510 550
Other revenue	14 962 597	6 760 092
Interest on investments	176 099	1 033 338
	154 488 846	125 038 435
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	36 250 313	31 171 638
Transfer revenue		
Government grants & subsidies	226 228 557	220 463 419
Public contributions and donations	699 022	8 217 639
Fines, Penalties and Forfeits	8 417 303	2 168 435
	271 595 195	262 021 131
21. Service charges		
Sewer levied	15 057 020	13 761 158
Sale of electricity	81 376 100	61 597 753
Sale of water	17 472 793	15 641 426
Refuse removal	7 921 120	7 393 568
New connections and administration fees	218 353	345 856
Less: Income forgone	-	-
	122 045 386	98 739 761
22. Rental of facilities		
Premises		
Premises	733 942	733 973
23. Other revenue		
Other revenue	14 962 597	6 760 092

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
24. Property rates		
Rates levied		
Property rates levied	37 656 861	32 977 262
Less: Income forgone	(1 406 548)	(1 805 624)
	36 250 313	31 171 638
Valuations		
Residential	2 770 047 300	2 411 738 500
Commercial	854 588 700	1 044 679 700
State	78 234 000	53 388 000
Municipal	133 227 800	121 584 400
Agriculture	1 811 083 000	1 817 103 000
Industrial	186 418 500	219 260 500
Other	-	352 600
	5 833 599 300	5 668 106 700

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to the impact of alterations, subdivisions and consolidations.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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25. Government grants and subsidies realised

Operating grants

Equitable share	117 412 722	109 444 000
Library Grant	1 800 519	1 401 888
Dept of Water Affairs Grant (DWAF)	-	14 963 738
Finance Management Grant (FMG)	1 712 000	1 675 000
Expanded Public Works Program Grant (EPWP)	999 884	1 047 315
Department of Minerals and Energy Grant (DME)	1 181 060	1 500 000
	123 106 185	130 031 941

Capital grants

Municipal Infrastructure Grant (MIG)	43 627 687	52 195 000
Municipal Water Infrastructure Grant (MWIG)	-	23 989 039
Municipal Systems Infrastructure Grant (MSIG)	-	766 185
Rural Bulk Infrastructure Grant (RBIG)	7 644 965	13 481 254
Water Services Infrastructure Grant (WSIG)	51 849 720	-
	103 122 372	90 431 478
	226 228 557	220 463 419

Conditional and Unconditional

Included in above are the following grants and subsidies received and or spent:

Conditional grants received	126 506 149	122 698 408
Unconditional grants received	117 412 722	109 444 000
	243 918 871	232 142 408

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	5 824 845
Current-year receipts	51 521 000	52 195 000
Conditions met - transferred to revenue	(43 627 687)	(52 195 000)
Other	-	(5 824 845)
	7 893 313	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The grant is mainly used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Municipal Systems Infrastructure Grant

Balance unspent at beginning of year	173 815	538 518
Current-year receipts	-	940 000
Conditions met - transferred to revenue	(173 815)	(766 185)
Amounts withheld	-	(538 518)
	-	173 815

Ga Segonyana Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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25. Government grants and subsidies realised (continued)

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

Library Grant

Balance unspent at beginning of year	541 112	-
Current-year receipts	2 208 000	1 943 000
Conditions met - transferred to revenue	(1 800 519)	(1 401 888)
	948 593	541 112

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose is to fund capital projects and maintenance of library facilities the community.

Department of Water Affairs (DWAF)

Balance unspent at beginning of year	2 536 262	-
Current-year receipts	-	17 500 000
Conditions met - transferred to revenue	-	(14 963 738)
Amounts withheld	(2 536 262)	-
	-	2 536 262

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Finance Management Grant (FMG)

Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 712 000)	(1 675 000)
	98 000	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	2 685	-
Current-year receipts	1 000 000	1 050 000
Conditions met - transferred to revenue	(999 884)	(1 047 315)
Amounts withheld	(2 685)	-
	116	2 685

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand	2017	2016
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25. Government grants and subsidies realised (continued)

Department of Minerals and Energy (DME)

Current-year receipts	2 000 000	1 500 000
Conditions met - transferred to revenue	(1 181 060)	(1 500 000)
	818 940	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

Municipal Water Infrastructure Grant (MWIG)

Balance unspent at beginning of year	3 723 961	-
Current-year receipts	-	27 713 000
Conditions met - transferred to revenue	(3 723 961)	(23 989 039)
	-	3 723 961

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

Rural Housing Grant

Balance unspent at beginning of year	1 672 243	1 184 428
Current-year receipts	-	4 836 396
Conditions met - transferred to revenue	(1 672 243)	(4 348 581)
	-	1 672 243

The municipality is the implementing agent for COGHSTA and therefore does not include the amount received and spent on their Rural Housing Grant in its revenue and expenditure. The unspent amount remains as a liability (see note 17).

The purpose of this grant is to facilitate development of rural housing.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	135 243
Current-year receipts	12 167 149	13 346 011
Conditions met - transferred to revenue	(7 644 965)	(13 481 254)
	4 522 184	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

ACIP Water Grant

Balance unspent at beginning of year	261 070	261 070
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Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

Ga Segonyana Local Municipality

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Figures in Rand	2017	2016
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25. Government grants and subsidies realised (continued)

Allocations in kind

Rural Household Infrastructure Grant	-	5 000 000
Intergrated National Electrification Programme (Eskom)	74 408 000	68 611 000
Municipal System Infrastructure Grant	787 000	-
	74 408 000	73 611 000

The following amounts were allocations in kind as per DORA Bill 5 of 2014. An allocation in kind is money allocated for spending by a national department on behalf of a province, local government or a municipality. National Treasury allocated funds to Gasegonyana area to build infrastructure. The municipality does not have control over the infrastructure. The donated income and/or assets thereof are not included in the municipality's Statement of Financial Position and Statement of Financial Performance.

Rural Housing Infrastructure Development

Balance unspent at beginning of year	70	70
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Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of this grant is to provide houses for the rural communities.

Water Services Infrastructure Grant (WSIG)

Current-year receipts	55 800 000	-
Conditions met - transferred to revenue	(51 849 720)	-
	3 950 280	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

26. Public contributions and donations

Public donations	699 022	8 217 639
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Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
27. Employee related costs		
Basic	63 475 459	58 600 128
Commissions	-	1 700 494
Bonus	4 456 876	3 677 768
Medical aid - company contributions	4 812 601	4 386 562
UIF	521 086	488 123
Leave/Bonus Provision	791 909	1 843 983
Employee benefit obligations	1 748 584	1 554 887
SETA	864 065	769 449
Defined contribution plans	9 877 690	8 932 144
Travel, motor car, accommodation, subsistence and other allowances	2 807 046	2 553 020
Overtime payments	5 269 621	5 329 989
Long-service awards	98 921	762 593
Acting allowances	1 133 323	594 428
Housing benefits and allowances	2 793 106	2 709 479
Industrial Council Contributions	27 848	26 452
Standby Allowance	570 619	596 448
Telephone Allowance	733 118	293 622
Group Insurance	1 689 539	1 485 401
Other Allowances	865 313	757 594
Termination benefits	1 333 489	1 078 957
	103 870 213	98 141 521
Remuneration of Municipal Manager		
Annual Remuneration	1 192 660	1 013 109
Car Allowance	162 000	182 608
Contributions to UIF	1 785	1 872
	1 356 445	1 197 589
Remuneration of Chief Finance Officer		
Annual Remuneration	-	387 413
Car Allowance	-	113 137
Contributions to UIF	-	1 872
	-	502 422
Remuneration of Chief Finance Officer : Kagiso Noke		
Annual Remuneration	74 529	-
Car Allowance	15 000	-
Contribution to UIF	149	-
	89 678	-
Remuneration of Chief Finance Officer : Tshegofatso Jarvis		
Acting Allowance	266 582	-
Remuneration of Chief Finance Officer : Tafita Sehloho		
Acting Allowance	319 898	-

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
27. Employee related costs (continued)		
Remuneration of the Manager: Community Services		
Annual Remuneration	809 097	680 843
Car Allowance	90 000	106 487
Acting allowance (Municipal Manager)	6 398	-
Contributions to UIF, Medical and Pension Funds	186 399	171 100
	1 091 894	958 430
Remuneration of the Manager: Corporate Support Services		
Annual Remuneration	976 324	772 888
Car Allowance	167 184	183 671
Acting allowance (Municipal Manager)	111 969	-
Contributions to UIF	1 785	1 872
	1 257 262	958 431
Remuneration of the Manager: Technical Services		
Annual Remuneration	1 035 027	377 539
Car Allowance	48 000	21 425
Acting allowance (Municipal Manager)	54 385	-
Contributions to UIF	1 785	744
	1 139 197	399 708
28. Remuneration of councillors		
Mayor	538 210	791 585
Councillors	6 649 363	6 207 575
Speaker	627 724	638 467
	7 815 297	7 637 627
In-kind benefits		
The Mayor and Speaker are both full-time councillors of the municipality. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and Speaker each have the use of separate Council owned vehicles and are provided with a driver for official duties.		
29. Depreciation and amortisation		
Property, plant and equipment	54 842 170	48 760 891
Intangible assets	235 673	164 009
	55 077 843	48 924 900
30. Impairment of assets		
Impairments		
Property, plant and equipment	5 999 684	1 429 049
31. Finance costs		
Other interest paid	6 158 373	5 300 652

Ga Segonyana Local Municipality

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Figures in Rand	2017	2016
32. Provisions		
Other provisions	18 040 954	12 682 097
33. Bulk purchases		
Electricity	74 468 551	68 307 378
Water	21 683 679	20 309 944
	96 152 230	88 617 322
The municipality appointed Sedibeng to administer the production of water. Water bulk purchases are included in general expenses due to the nature of the municipality's contract with Sedibeng.		
34. Contracted services		
Cleaning services	-	212 834
Specialist Services	2 813 488	3 198 175
Other Contractors	5 608 462	5 486 810
	8 421 950	8 897 819
35. General expenses		
Advertising	79 249	96 658
Auditors remuneration	6 475 593	3 699 535
Bank charges	1 146 254	451 230
Cleaning	82 458	125 250
Computer expenses	225 419	198 935
Consulting and professional fees	13 640 928	9 335 377
VIP toilets	14 700 784	12 384 298
Entertainment	232 461	218 894
Fines and penalties	486 808	179 955
Flowers	400	1 900
Animal Costs	-	6 113
Hire	2 056 049	1 083 640
Insurance	8 440 375	6 119 394
Community development and training	627 700	1 601 759
Magazines, books and periodicals	58 589	15 298
Postage and courier	515 545	454 666
Printing and stationery	235 928	408 482
Royalties and license fees	51 423	48 108
Subscriptions and membership fees	1 512 159	1 993 572
Telephone and fax	418 030	1 063 193
Training	117 091	108 935
Travel - local	1 564 998	2 215 060
Electricity	1 425 781	1 511 296
Grant funded expenditure	4 308 739	4 494 528
Refreshments	2 232	1 721
Cost of land sold	2 792 332	2 665 722
Traffic Services	2 008 580	2 014 156
Project management costs	1 074 750	1 535 204
Grants & subsidies paid	337 725	1 900 062
Chemicals	32 629	19 684
Sundry expenses	7 016 638	7 321 979
	71 667 647	63 274 604

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36. Cash generated from operations		
Surplus	35 546 513	23 599 627
Adjustments for:		
Depreciation and amortisation	55 077 843	50 463 002
Loss on sale of assets and liabilities	(391 532)	(1 688)
Impairment deficit	9 959 346	1 429 049
Debt impairment	18 040 954	(2 838 579)
Movements in retirement benefit assets and liabilities	690 949	563 965
Movements in provisions	(1 108 797)	(906 963)
Opening balance adjustment	(1 242 756)	-
Changes in working capital:		
Inventories	(6 818 429)	(18 264 433)
Consumer debtors	(16 044 151)	1 595 126
Other receivables from non-exchange transactions	(11 145 955)	9 314 447
Payables from exchange transactions	17 423 647	60 755 322
VAT	(5 994 418)	(11 884 320)
Unspent conditional grants and receipts	9 581 348	967 044
Consumer deposits	350 140	704 897
	103 924 702	115 496 496
37. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	28 574 868	70 391 227
Total capital commitments		
Already contracted for but not provided for	28 574 868	70 391 227
Total commitments		
Total commitments		
Authorised capital expenditure	28 574 868	70 391 227

This committed expenditure relates to plant and equipment and will be financed by unspent grants rolled over as per conditions of Division Revenue Act as well as accumulated surplus.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
38. Contingent Liabilities		
The municipality had the litigation cases that could result in the following contingent liabilities being payable as at year end:		
Sulliman Attorneys	150 000	150 000
Van Rooyen	250 000	250 000
Edward Ntefang	65 000	65 000
Legal opinion (Monyela M L)	-	28 044
Review: IMATU obo ML Monyela	150 000	150 000
OJM Engineers	-	250 000
Public Liability claim: BNH829NC/CDX376NC	-	20 357
Public Liability: J Keeiloni - Bodulong	-	3 750
Public Liability: JJ Erasmus	-	37 068
Public Liability: APC Botes	-	12 651
Public Liability: PB Van der Merwe	-	14 750
Public Liability: BVJ098NC	-	12 281
Public Liability: BYN212NC	-	10 064
Public Liability: GS Kies	-	36 541
Wrenchville illegal occupants portion ERF 1 (ERF 5702)	800 000	-
	1 415 000	1 040 506

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39. Related parties		
Relationships		
Concillor N.G Thupaemang	Bafumahadi khumo Enterprise and Projects - Director Mmeotshwara Thipa Ka Ha Bogaleng Primary Co-operative Limited - Director Ditswammung Mineral Resources Consortium - Director	
Councillor N.S Bloem	Bomme-sejo Services and Supply Co-operative Limited	
Councillor E.B Modise	Bomme-sejo Services and Supply Co-operative Limited	
Councillor G.C Assegai	Bomme-sejo Services and Supply Co-operative Limited - Director Gadikgadi - Director Self-Propelled Trading and Projects - Director Kurara FM Radio Station - Director Mimoisa Business Solutions - Director KAYN Projects - Director Tau Aggregate - Director Spectra Mining Solutions - Director Masakeng A Dipodi Primary Co-operative Limited - Director	
Corporate Admin Manager - M.R Tsatsimpe Manager Community Services - P.J Sampson Chief Financial Officer: Kagiso Noke Councillor: W.A.S Aucamp	Battharos Sound Hire - Director Tlotlanang Catering - Director Bomme-Sejo Services and Supply Co-operative Limited - Director Mighty Metals - Director Gamotinye Investment Holdings - Directors Ditukus Project - Director Battharo Le Batlhping Mining Solutions - Director Boka Resources - Director Nomisa Enterprise - Director Letlotlo Lame Trading and Projects - Director PKS Trading - Director	
Councillor: G.N Mntuyedwa		
Councillor: K.B Selepe		
Councillor: N.G Ngesi		
Concillor: G.N Masegela Councillor: O.D Mathibe Councillor: M.G Reetsang Councillor: M.P Galeboe		

There were no transactions with related parties except where indicated under related party transactions below.

Related party transactions

Compensation of related parties

R.M. Meyers (Wife to Councillor T.E. Meyers)	241 277	219 475
B. Thankane (Cousin to Councillor P.Q Mogatle)	132 068	76 337
N. Rayn (Husband to Councillor S.M. Rayn)	132 068	120 622
G. Sibi (Daughter to Councillor N.G Thupaemang)	236 450	226 285
D. Eilerd (Cousin to Councillor M.A Brink)	-	348 118
D. Baepi (Brother to Councillor L.C. Rapelang)	331 175	320 527

Related party transactions during the year

Kurara FM (advertisement)	3 700	2 980
Mimoisa Business Connection	285 000	-

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39. Related parties (continued)

Related party transactions

Related party transactions - Management

	2017 Transactions for the year	2017 Balance as at year end	2016 Transactions for the year	2016 Balance as at year end
Jarvis TB - Deputy CFO	6 297	616	10 346	(40)
Pule RC - Legal and Compliance Manager	3 527	(6 001)	683	683
Sampson K - Community Services Director	-	-	6 890	887
Smith H.J - Technical Services Director	5 733	482	2 541	676
Tsatsimpe M - Corporate Services Director	11 020	1 346	4 396	(699)
Mabejane I - Deputy Community Services - Director	42 701	9 382	23 463	4 372
	69 278	5 825	48 319	5 879

40. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	30 June 2017	30 June 2016
Receivables from exchange transactions	17 166 497	19 163 300
Receivables from non exchange	23 609 848	12 463 893
Cash and cash equivalents and bank overdraft	990 123	532 367
VAT receivable	21 992 469	15 998 051

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

41. Going concern

The Annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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42. Unauthorised expenditure		
Unauthorised expenditure	169 133 291	132 043 853
Current year	334 622	37 089 438
	169 467 913	169 133 291

43. Fruitless and wasteful expenditure		
Opening balance	1 079 729	744 638
Fruitless and wasteful expenditure	2 646 932	562 005
Amount condoned	-	(226 914)
	3 726 661	1 079 729

The expenditure is caused by overdue account of Eskom, Telkom as well as penalties from SARS for late payment of taxes.

Analysis of expenditure condoned per age classification

Prior years	-	226 914
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44. Irregular expenditure		
Opening balance	63 616 351	190 048 817
Add: Irregular Expenditure - current year	28 004 423	54 243 591
Less: Amounts condoned	-	(180 676 057)
	91 620 774	63 616 351

Analysis of expenditure condoned per age classification

Prior years	-	180 676 057
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Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non-compliance	None (Under investigation)	-

The amount disclosed for irregular expenditure for the reported financial years is mainly as a result of the following reasons:

- Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c). Some expenditures were paid using pro-forma invoices.
- Bid specifications not drafted by bid specification committee prior to 2015/2016, however Bid specification committee was appointed during 2015/16.
- The amounts are however under investigation by Municipal Public Accounts Committee as a result at the reporting date it was not clear about the write-off or recovery.

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016	
45. Deviations			
Description	Month	Successful Bidder/ Supplier	One Quotation
In all instances only one quotation could be obtained, where in two occasions the Speaker's car had to undergo the mileage services and mechanical repairs hence only the car manufacturer can do this services. In the other instance the cherry picker had to be stripped to find fault and thereafter be quoted.	30 September 2016	Various suppliers	54 082
The bulk of the amount was due to fixing the power line that got damaged as a result of natural forces. Furthermore, other costs were as a result of strip and quote, which dictates that the supplier diagnose faults first and thereafter fix the problem indentified.	31 October 2016	Various suppliers	139 479
The bulk of the amount was due to fixing the power line that got damaged as a result of natural forces. Furthermore, other costs were as a result of strip and quote, which dictates that the supplier diagnose faults first and thereafter fix the problem indentified.	30 November 2016	Various suppliers	78 852
A substantial amount of the deviation was as result of the emergency response, where the power station had burnt and left half the town without electricity. Others were as a result of strip and quote	31 December 2016	Various suppliers	375 356
Only two deviations for the month, where strip and quote had a major contribution, and the other was the car services (mileage) and only one supplier could provide this service.	31 January 2017	Various suppliers	152 235
The bulk of the deviations was a result of strip and quote. Where the suppliers first diagnose the fault and thereafter fix the identified problem.	28 February 2017	Various suppliers	120 751
Bulk of the deviated amount was due to using one supplier, where the fault on the HT reticulation system had to be found and fixed. Others were due to strip and quote, where only one quotation could be sourced.	31 March 2017	Various suppliers	325 399
The deviation from the normal processes was as a result of only obtaining one quotation, in one instance was a payment of the license and service fee of the system used at traffic department. The other one was the maintenance of the testing machine at the traffic department.	28 April 2017	Various suppliers	83 687
Extension of the existing works, transferring of the properties (ERF 66 Mothibstad Unit 1 and ERF 433 Mothibstad).	31 May 2017	KBVS Attorneys	14 727
			1 344 568

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	28 401	52 192
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Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016	
46. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA			
30 June 2017	Lost units	Tariff	Value
Unaccounted electricity losses	18 166 042	0,95	17 257 739,9
30 June 2016			
Unaccounted electricity losses	5 072 377	0,90	4 565 139,3
Volume in KWH/year		30 June 2017	30 June 2016
System Input Volume		78 600 284	78 496 868
Billed Consumption		60 484 242	73 424 491
Distribution Loss		18 116 042	5 072 377
Percentage Distribution Loss (%)		23,05%	6,5%
30 June 2017	Lost units	Tariff	Value
Unaccounted for water losses	3 310 611	5,00	16 553 055
30 June 2016			
Unaccounted for water losses	2 399 625	4,33	10 390 376,25
Volume in KI/year		30 June 2017	30 June 2016
System Input Volume		5 075 302	4 687 422
Billed Consumption		1 764 691	2 287 797
Distribution Loss		3 310 611	2 399 625
Percentage Distribution Loss (%)		65,23%	51,9%
Included in both water and electricity losses is the municipal own consumption at various municipal facilities.			
SDL			
Current year subscription / fee		920 551	860 012
PAYE and UIF			
Current year subscription / fee		13 956 446	12 552 586
Amount paid - current year		(13 956 446)	(12 552 586)
		-	-
Pension and Medical Aid Deductions			
Current year subscription / fee		23 620 993	22 221 019
Amount paid - current year		(23 620 993)	(22 221 019)
		-	-
VAT			
VAT receivable		21 992 469	15 998 051

VAT output payables and VAT input receivables are shown in note 5.

All VAT returns have been submitted by the due date throughout the year.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
B.A Eiman	1 101	-	1 101
D.T Mpata	92	5 099	5 191
E.B Modise	17	1 106	1 123
G.C Assegaai	37	2 241	2 278
L.R Nelson	154	214	368
	1 401	8 660	10 061

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
E.B Modise	39	1 416	1 455
F.P Byleveld	724	-	724
N.G Morogong	1	19	20
S.M Ryan	702	160	862
G.C Assegaai	36	1 343	1 379
M.J Polelo	2	81	83
M.A.P Brink	4 995	25 828	30 823
T.G Anthony	5	108	113
T.E Meyer	21	503	524
C Keikabile	269	7 136	7 405
	6 794	36 594	43 388

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer and have noted by Council. Furthermore, management did not note any material non-compliance with the Municipal Finance Management Act.

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47. Prior-year errors

Statement of Financial Position

2016

	As previously reported	Correction of error	Reclassification on	Restated
Inventories	21 039 723	16 227 461	3 899 000	41 166 184
Receivables from non-exchange transactions	19 767 409	(2 263 433)	(5 040 083)	12 463 893
VAT receivable	29 459 373	(13 461 322)	-	15 998 051
Receivables from exchange transactions	21 778 066	(7 654 849)	5 040 083	19 163 300
Cash and cash equivalents	532 367	-	-	532 367
	92 576 938	(7 152 143)	3 899 000	89 323 795

	As previously reported	Correction of error	Reclassification on	Restated
Investment property	6 961 100	-	-	6 961 100
Property, plant and equipment	1 046 994 939	113 430 191	(3 899 000)	1 156 526 130
Intangible assets	538 962	(3 619)	-	535 343
Heritage assets	1 650 000	5 642	-	1 655 642
Loan receivables	49 388	(49 388)	-	-
	1 056 194 389	113 382 826	(3 899 000)	1 165 678 215

1 148 771 327 106 230 683 - 1 255 002 010

	As previously reported	Correction of error	Reclassification on	Restated
Other financial liabilities	4 669 354	-	-	4 669 354
Finance lease obligation	1 278 177	-	-	1 278 177
Payables from exchange transactions	101 156 756	5 888 930	-	107 045 686
Consumer deposits	3 781 051	-	-	3 781 051
Employee benefit obligations	1 155 225	-	-	1 155 225
Unspent conditional grants and receipts	8 911 218	-	-	8 911 218
	120 951 781	5 888 930	-	126 840 711

	As previously reported	Correction of error	Reclassification on	Restated
Other financial liabilities	19 192 514	-	-	19 192 514
Finance lease obligation	1 921 988	-	-	1 921 988
Employee benefit obligations	22 977 727	-	-	22 977 727
Provisions	9 860 959	-	-	9 860 959
	53 953 188	-	-	53 953 188

174 904 969 5 888 930 - 180 793 899

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Notes to the Annual Financial Statements

Figures in Rand			2017	2016
Net assets	973 866 358	100 341 753	- 1 074 208 111	
	As previously reported	Correction of error	Reclassification on	Restated
Revaluation reserve	20 837 415	349 884	-	21 187 299
Accumulated surplus	953 028 943	134 295 628	-	1 087 324 571
	973 866 358	134 645 512	- 1 108 511 870	

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Statement of financial performance

2016

	As previously reported	Correction of error	Reclassification on	Restated
Sale of stands	7 413 893	830 614	-	8 244 507
Service charges	99 841 926	(1 060 530)	(41 635)	98 739 761
Rental of facilities	1 974 231	(1 192 100)	(48 158)	733 973
Interest on outstanding receivables	5 016 214	-	-	5 016 214
Licences and permits	4 510 550	-	-	4 510 550
Other revenue	6 376 299	294 000	89 793	6 760 092
Interest on investments	1 033 338	-	-	1 033 338
Total revenue from exchange transactions	126 166 451	(1 128 016)	-	125 038 435

	As previously reported	Correction of error	Reclassification on	Restated
Property rates	31 171 638	-	-	31 171 638
Government grants & subsidies	220 463 419	-	-	220 463 419
Public contributions and donations	8 217 639	-	-	8 217 639
Fines, Penalties and Forfeits	2 168 435	-	-	2 168 435
Total revenue from non-exchange transactions	262 021 131	-	-	262 021 131

Total revenue	388 187 582	(1 128 016)	-	387 059 566
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	As previously reported	Correction of error	Reclassification on	Restated
Employee related costs	(97 473 147)	(668 374)	-	(98 141 521)
Remuneration of councillors	(7 637 627)	-	-	(7 637 627)
Depreciation and amortisation	(48 760 891)	-	-	(48 760 891)
Impairment loss/ Reversal of impairments	(1 429 049)	-	-	(1 429 049)
Finance costs	(6 252 468)	(62 171)	1 013 987	(5 300 652)
Provisions	(10 364 543)	(2 317 554)	-	(12 682 097)
Repairs and maintenance	(28 703 283)	(1 906 967)	-	(30 610 250)
Bulk purchases	(68 814 609)	(19 169)	(19 783 544)	(88 617 322)
Contracted services	(8 897 819)	-	-	(8 897 819)
General Expenses	(79 603 619)	(2 440 542)	18 769 557	(63 274 604)
	(357 937 055)	(7 414 777)	-	(365 351 832)

Deficit for the year	30 250 527	(8 542 793)	-	21 707 734
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	As previously reported	Correction of error	Reclassification on	Restated
Profit/loss on disposal of assets	(16 451)	-	-	(16 451)
Actuarial gains	1 908 344	-	-	1 908 344
	1 891 893	-	-	1 891 893

Deficit for the year	32 142 420	(8 542 793)	-	23 599 627
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Errors

During the year under review, the following errors were identified for prior Annual Financial Statements:

Current Assets

- 1 Inventory was understated by R16 227 461 because of land that was registered under the municipality and not recorded in the municipalities books. Land held for sale valued at R3 899 000 was reclassified from property, plant and equipment to inventory due to land being held for sale.
- 2 Receivables from non-exchange transaction; sundry debtors were reclassified to receivables from exchange transactions. In addition, an amount of R2 263 433 was written-off due to the balances not being substantiated.
- 3 VAT receivables was overstated in the prior year as it was not based on reasonableness of accrued basis versus cash basis. The municipality operates an accrual basis of accounting and is registered with SARS on a payment basis for VAT purposes. The R13 646 497 adjustment was to correct the error.
- 4 Receivables from exchange transactions; sundry debtors have been reclassified from receivable from non-exchange transactions, these debtors were overstated with regards to monthly billing. Furthermore, sundry debtors that could not be substantiated have been written-off. The accrual receivable amounting to R3 343 283 has been corrected due to previous year error.

Non-current Assets

- 5 Property, plant and equipment; the difference of R113 430 191 were due to incorrect calculation of depreciation. The accumulated depreciation was understated; therefore, restatement was performed to correct the error. The amount of R3 899 000 was reclassified to inventory due to land being held for sale.
- 6 Intangible assets were restated due to the correction of accumulated depreciation as it was incorrectly calculated.
- 7 Heritage asset amounting to R5 642 was reclassified from property, plant and equipment.
- 8 Loan receivables not substantiated because of legacy issues, has been written-off by council on the special council meeting of 25/08/2017.

Current Liabilities

- 9 Payables from exchange transactions;

Equity

- 10 Revaluation reserves; land was understated by R349 884, this adjustment has been passed to correct the error.
- 11 Accumulated surplus was understated by R134 295 628 as a result of all the prior year error adjusted.

Revenue

- 12 Sales of stands were understated by R1 172 614 due to stands that were not transferred out of sales of stands payables after the property has been transferred to the seller as per the title deed obtained from the deeds office.
- 13 Service charges were overstated with an amount of R1 025 729, this error was adjusted accordingly. Furthermore, other revenue amounting to R41 635 was reclassified out of service charges.
- 14 Rental facilities were overstated with an amount of R1 192 100, this error was adjusted accordingly. Furthermore, other revenue amounting to R48 158 was reclassified out of service charges.

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15 Other revenue was understated with an amount of R294 000 of properties that were sub-divided. In addition, amounts of R41 635 and R48 158 were reclassified out of service charges and rental facilities respectfully.

Expenditures

16 Employee cost was understated by, this was due to accruals not be correctly recognised. The error has been adjusted for.

17 Finance cost was adjusted by R85 due to interest not considered. Furthermore, an amount of R1 013 987 was reclassified to general expenses as it did not form part of finance cost. The accounts that were reclassified were rental of modems and telephones.

18 Provisions were understated with an amount of R2 317 554, this was because of not billing the Bankhara residence for sewerage facilities.

19 Repairs and maintenance was understated by R29 035 due to accruals not considered. The balance has been restated to correct this error.

20 Bulk purchases was understated by R19 169 due to accruals not considered. The balance has been restated to correct this error. Furthermore, R 526 400 was reclassified out of bulk purchases to general expenses as the cost related to the cost of inventory sold. The amount of R20 309 944 was reallocated out of expenses as this relates to bulk purchases. The amount reclassified is for Sedibeng Water.

21 General expenses were understated by R1 128 560, this understatement was due to audit fees not accrued for and cost of land sold was not considered. Furthermore, an amount of R20 309 944 was reclassified to bulk purchases, in addition amounts of R1 013 987 and R526 400 were reclassified from finance cost and bulk purchases respectively.

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48. Budget differences					
Financial statement line item	Reference*	% Variance Final budget vs Actual amounts	Explanation of material differences between Final Budget vs Actual amounts	% Variance Approved vs Final budget	Explanation of material differences between Approved Budget and Final Budget amounts
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Revenue from exchange transactions					
Sale of stands	1	-62,54%	The difference is due to less sales of stands sold than budgeted.	6,25%	-
Rental of facilities	2	27%	The increase is as a result of an increased demand for rental of facilities than expected.	-22,45%	The adjustment was made in order to adjust for the anticipation of increase in demand of rentals. This resulted in the budget being overstated.
Other revenue	3	61,12%	The increase is due to insurance claim received for the burned down library.	9,49%	
Interest on investments	4	-76,75%	The decrease is due to less money being invested in the call account as a result of the municipality having cashflow issues.	3,05%	
Revenue from non-exchange transactions					
Government grants and subsidies realised	5	-7,54%	The difference is due to capital project rolled over.	-6,27%	
Public contributions and donations	6	100%	There were no donations budgeted for on the original budget.	0%	-
Fines, Penalties and Forfeits	7	11,45%	The difference is as a result of an increase in traffic fines billed compared to the projected amounts.	0%	-
EXPENDITURE					
Depreciation and amortisation	8	152,69%	Depreciation was not fairly budgeted for, due to it being a non cash item.	0%	-

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand			2017	2016
48. Budget differences (continued)				
Impairment loss	9	100%	The difference is due to impairment not being budgeted due to it being a non cash item.	0% -
Finance costs	10	128,26%	The difference in finance cost is due to understatement of the budgeted finance cost derived from the municipality's financial liabilities.	0%
Debt impairment	11	-3259,93%	Debt impairment was under budgeted for as it is a non cash item.	0% -
Repairs and maintenance	12	17,98%	Repairs and maintenance was over budgeted with the anticipation that more repairs will be performed.	50,47% The adjustment was due to moving Sedibeng water out of repairs and into general expenses.
Contracted services	13	-20,45%	This is a result of less actual expenditure on contracted services that anticipated.	0%
General expenses	14	-20,45%	Expenses were over budgeted for. The movement in accounts was not anticipated when drafting the budget.	-126,84% The adjustment was due to moving of Sedibeng water from repairs and maintenance.
Actuarial gains/losses	15	100%	Differences is due to actuarial gains/losses not being budgeted for.	0%
STATEMENT OF FINANCIAL POSITION				
ASSETS				
Current Assets				
Inventories	16	77,21%	The budget was understated. The land that has been transferred from property, plant and equipment exceeded the budgets expectations.	0%
Receivables from non-exchange transactions	17	46,71%	Sundry debtors has been reclassified to receivable from exchange. The budget does not account for the move in this regard.	2,69% -

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand			2017	2016
48. Budget differences (continued)				
Consumer debtors	18	-66,88%	The budget was overstated. The impairment on consumer debtors was not taken into account during the budget as it is a non monetary item	16,34% The adjustment was to try to take into account impairment
Cash and cash equivalents	19	343,93%	Cash was under budgeted for, due to cashflow issues.	53,68% Cash was under budgeted for, due to cashflow issues.
Non-Current Assets				
Intangible assets	20	5%	The difference is due to amortisation not taken into account during the budget as it is a non cash item	-71,82% The budget was adjusted in order to take into account a further subscription for MSCOA
LIABILITIES				
Current Liabilities				
Finance lease obligation	21	21,48%	The finance leases were over budgeted for.	0% -
Payables from exchange transactions	22	229,89%	The budget did not take into account the accruals.	0% -
Consumer deposits	23	23,64%	The increase is as a result of more consumer deposits that were not claimed for as at year end than anticipated.	0% -
Unspent conditional grants	24	63,2%	The increase is a result of an increase in grants that were not spent as at year end than anticipated.	0% -